

Resolution No.:	15-1070
Introduced:	June 14, 2005
Adopted:	July 12, 2005

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY MARYLAND**

By: Management and Fiscal Policy Committee

SUBJECT: Council approval of transfer of a franchise agreement from KMC Telecom III, LLC to TelCove Inc.

Background

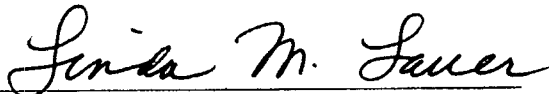
1. Section 12.1 of the Franchise Agreement with KMC Telecom III, LLC (KMC) provides that "KMC shall not transfer or assign the franchise, Facilities, or System or any part thereof without the express prior written consent of the County, which consent shall not be unreasonably withheld, conditioned, or delayed". If the County does not act within 90 days after the franchisee seeks approval, the transfer is automatically approved.
2. KMC and TelCove, Inc. filed an application with the Federal Communications Commission (FCC) to convey KMC assets to TelCove Inc. (TelCove). This filing stipulates that immediately following the transfer, customers of the KMC operating companies will continue to receive services at the same rates and under the same terms and conditions as those provided under KMC.
3. TelCove is a privately-held Delaware corporation with its principal place of business in Pennsylvania. The company is a facilities-based provider of integrated communications services that serves medium and large businesses, state and local governmental agencies, educational institutions, and other communications service providers. The company offers local and long-distance voice, dedicated data, ATM, frame relay, and Internet services and is focused on serving communications-intensive end users.
4. KMC and TelCove request that KMC's franchise agreement, upon approval, be transferred to TelCove.
5. On July 5, 2005, the Council held a public hearing on the approval of KMC's franchise agreement and the transfer of the agreement to TelCove.
6. On July 7, 2005, the Management and Fiscal Policy Committee held a worksession to review KMC's franchise agreement and the transfer of the franchise agreement to TelCove. The Committee recommended approval of the franchise agreement and transfer to TelCove.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

The County Council approves the transfer of the franchise agreement with KMC Telecom III, LLC to TelCove Inc. provided that all necessary approvals are granted by the Federal Communications Commission. TelCove Inc. is subject to all of the terms and conditions in the KMC Telecom III, LLC franchise agreement approved by the Council on July 12, 2005.

This is a correct copy of Council action.

A handwritten signature in cursive script that reads "Linda M. Lauer". The signature is written in dark ink and is positioned above a horizontal line.

Linda M. Lauer, Clerk of the Council

FRANCHISE AGREEMENT

The County Council for Montgomery County, Maryland, having approved by Resolution No. _____ dated the 12th day of July, 2005, a Franchise to construct and maintain Fiber Optic Network Facilities in the Public Right-of-Way, this Franchise Agreement is made as of this 12th day of July, 2005, by and between Montgomery County, Maryland, a body corporate and politic of the State of Maryland (hereafter the "County"), and KMC Telecom III, LLC, a Delaware corporation (hereafter "KMC").

RECITALS

WHEREAS, under Maryland and County laws, the County has the right and power to regulate the time, location, and manner of attachment, installation, operation, and maintenance of telecommunications facilities in the Public Right-of-Way within the limits of the County; and

WHEREAS, KMC wishes to construct, install, operate, and maintain Fiber Optic Network Facilities within the Public Right-of-Way; and

WHEREAS, KMC has made application to the County for a franchise to construct, install, operate, and maintain the Facilities in, under, over, and upon the Public Right-of-Way of the County, pursuant to Chapter 49 of the Montgomery County Code 1994, as amended; and

WHEREAS, KMC has caused said franchise application to be published once a week for three consecutive weeks in one or more newspapers having general circulation in the County, setting forth the location, character and extent of the franchise sought, and stating the terms and compensation to be received therefor; and

WHEREAS, the County Executive or designee has made diligent inquiry as to the money value of the franchise, and the adequacy of the compensation proposed to be paid for the use of the Public Right-of-Way; and

WHEREAS, it appears to Montgomery County that the granting of the requested franchise for the monetary compensation hereafter set forth, is expedient and proper pursuant to Chapter 49 of the Montgomery County Code 1994, as amended.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, this Franchise Agreement is entered into by and between the parties subject to the following terms and conditions:

I. DEFINITIONS.

For the purposes of this Agreement, the following words, terms, phrases, and their derivations shall have the meanings given herein. The word "shall" is always mandatory.

1.1 "Adjusted Gross Revenues" means the portion of Gross Revenues subject to the franchise fee, as calculated under Section 4.2 of this Agreement.

1.2 "Agency" means any governmental agency or quasi-governmental agency other than the County, including the FCC and the PSC.

1.3 "Agreement" means this Franchise Agreement.

1.4 "CAO" means the Chief Administrative Officer of the County or authorized designee.

1.5 "County" means Montgomery County, Maryland.

1.6 "Effective Date" of this Agreement means the date upon which the County Council approved the resolution granting the franchise.

1.7 "FCC" means the Federal Communications Commission.

1.8 "Fiber Optic Network Facilities" or "Facilities" means fiber optic cables, conduits, converters, splice boxes, cabinets, handholds, manholes, vaults, equipment, drains, surface location markers, appurtenances, and related facilities located or to be located by KMC in the Public Right-of-Way and used or useful for providing Services.

1.9 "Gross Revenues" means all revenues derived, by KMC or any other person, in whole or in part from the use of the Fiber Optic Network Facilities. Gross Revenues does not include local, state, or federal taxes collected by KMC that have been billed to a Subscriber and separately stated on such bill.

1.10 "KMC" means KMC Telecom III, LLC, a corporation duly organized under the laws of the State of Delaware, and its lawful successors, assigns, and transferees.

1.11 "Law" means any and all judicial decision, statute, constitution, ordinance, resolution, regulation, rule, tariff, administrative order, certificate, order, or other requirement of the Federal Government, State, or County, or other Agency having joint or several jurisdiction over the parties to this Agreement, in effect either on the Effective Date or at any time during the presence of a telecommunications system in the Public Right-of-Way.

1.12 "Person" means an individual, a corporation, a limited liability company, a general or limited partnership, a sole proprietorship, a joint venture, a business trust, and any other form of business association or organization of any kind.

1.13 "PSC" means the Maryland Public Service Commission.

1.14 "Public Right-of-Way" means any location in, upon, above, along, across, under, and over the public streets, roads, lanes, courts, ways, alleys, boulevards, sidewalks, and places,

or other easements now or hereafter held by the County for any public purpose, as the same now or may thereafter exist that are under the jurisdiction of the County. This term shall not include any property owned by any Person or Agency other than the County, except as provided by applicable Laws or pursuant to an agreement between the County and any such Person or Agency.

1.15 "Services" means the transmission, using the Facilities, of any information, including, but not limited to, voice, video, or data. "Services" includes telephone service and Internet service but does not include (i) over-the-air broadcasts to the public at large licensed by the FCC or any successor thereto, (ii) cable service (the one-way transmission to Subscribers of video programming or other programming services, and Subscriber interaction, if any, which is required for the selection or use of such video programming or other programming service), or (iii) OVS service (cable-like services provided through an open video system for which certification is granted by the FCC under Section 653 of the Telecommunications Act of 1996.)

1.16 "Subscriber" means any Person other than KMC that uses any part of the Facilities. "Subscriber" includes Persons outside the County that KMC has allowed to use the Facilities in the County.

1.16.1 "Remarketer" means a Subscriber to the extent that the Subscriber uses the Facilities to provide Services to a third party.

1.16.2 "End User" means a Subscriber to the extent that the Subscriber does not use the Facilities to provide Services to a third party.

1.16.3 A Subscriber can be both a Remarketer and an End User if the Subscriber uses the System both to provide Service to a third party and for the Subscriber's own use.

1.17 "Telecommunications System" or "System" means all or any part of the fiber optic cables, conduits, converters, splice boxes, cabinets, handholes, manholes, vaults, equipment, drains, surface location markers, appurtenances, and related facilities placed by KMC in the County and used to provide Services.

2. TERM.

This Agreement shall be for a term of two (2) years, unless it is earlier terminated by either party in accordance with the provisions herein, and shall commence on the Effective Date. This Agreement and any permits issued hereunder are subject to any present and future franchise or taxation legislation or resolution which may be enacted by the County Council.

3. SCOPE OF FRANCHISE.

3.1 Any and all rights expressly granted to KMC under this Agreement, which shall be exercised at KMC's sole cost and expense, shall be subject to the prior and continuing right of the County under applicable Laws to use any and all parts of the Public Right-of-Way only,

exclusively or concurrently, with any other Person or Persons, and further shall be subject to all deeds, easements, dedications, conditions, covenants, restrictions, encumbrances, and claims of title which may affect the Public Right-of-Way. Nothing in this Agreement shall be deemed to grant, convey, create, or vest a perpetual real property interest in land in KMC, including any fee, leasehold interest, or easement. The County makes no representations or warranties with respect to the title to the Public Right-of-Way or the nature of the County's interest in the Public Right-of-Way. To the extent there are other interests, if any, in the Public Right-of-Way, KMC must obtain the necessary consent for its use from each Person who holds any such interests. KMC must indemnify and hold the County harmless from any claims or costs arising out of or related to a constitutional takings claim or other legal action by reason of KMC's use of the Public Right-of-Way.

3.2 The County hereby grants a non-exclusive right to KMC to construct, reconstruct, install, operate, maintain, locate, move, remove, reattach, reinstall, relocate, and replace the Facilities in or upon, under, above, and across the Public Right-of-Way, in accordance with County laws, at the locations and in the manner specified in Exhibit A, for use in the provision of Services to Persons located inside or outside the County.

3.3 The County hereby further authorizes and permits KMC to construct, reconstruct, install, operate, maintain, locate, move, remove, reattach, reinstall, relocate, and replace its Facilities in or on street light poles, power poles, or other property owned by public utility companies or other property owners located within the Public Right-of-Way as may be permitted by the public utility company or property owner, as the case may be. To the extent required by Laws, KMC shall obtain permission from the individual utility/property owner prior to the time that KMC undertakes any of the activities permitted by this Agreement. Upon request, KMC shall provide documentation of said permission to the County. Prior to undertaking any construction activity, KMC shall provide reasonable advance notice to affected property owners.

3.4 Except as permitted by applicable Laws or this Agreement, in the performance and exercise of its rights and obligations under this Agreement, KMC shall not interfere in any manner with the existence and operation of any and all public and private rights-of-way, sanitary sewers, water mains, storm drains, gas mains, poles, aerial and underground electric and telephone wires, electroliers, cable television, and other telecommunications, utility, and County or municipal property without the express written approval of the owner or owners of each affected property.

3.5 KMC shall comply with all applicable Laws in the exercise and performance of its rights and obligations under this Agreement. KMC hereby acknowledges that the rights granted by this Agreement are subject to the police powers of the County.

3.6 KMC represents and agrees that the Facilities subject to this Agreement will be used exclusively for the rendering of Services and no other services, except to the extent that KMC is required by State or Federal authorities, in the proper exercise of their jurisdiction over such matters, to make the Facilities available for use by third parties.

4. FEES AND TAXES.

4.1 KMC acknowledges and agrees that the County may require Subscribers to pay a users' tax ("Users Tax") to the County pursuant to applicable County law. If KMC provides Service to any Subscribers who are subject to a Users Tax, KMC agrees to collect the tax from any such Subscribers and remit such tax to the County in accordance with applicable County law.

4.2 As compensation for this Agreement, KMC shall pay to the County, on a semi-annual basis beginning on the Effective Date, an amount equal to 5 percent (5%) of KMC's Adjusted Gross Revenues. The compensation required by this section shall be due to the County for the preceding six (6) months within thirty (30) days after the end of that preceding six(6) months. Within forty-five (45) days after the termination of this Agreement, compensation shall be paid for the period elapsing since the end of the last six months for which compensation has been paid. KMC shall furnish to the County with each payment of compensation required by this section a financial statement, executed by an authorized officer of KMC or the officer's designee, showing the amount of Gross Revenues for the period covered by the payment. If KMC discovers that it has failed to pay the entire or correct amount of compensation due, the County shall be paid by KMC within fifteen (15) days of discovery of the error or determination of the correct amount. Any overpayment to the County through error or otherwise shall be offset against the next payment due from KMC. Acceptance by the County of any payment due under this section shall not be deemed to be a waiver by the County of any breach of this Agreement occurring prior thereto, nor shall the acceptance by the County of any such payments preclude the County from later establishing that a larger amount was actually due, or from collecting any balance due to the County. In the event that KMC fails to make a franchise fee payment on the due date, then a late charge of 5 percent (5%) of the amount of the franchise fee payment must be paid by KMC to the County. The failure of KMC to timely pay the franchise fee shall be considered a default of this Agreement, subject to the notice and cure provisions as may be provided in this Agreement.

4.2.1 For purposes of calculating Adjusted Gross Revenues, "KMC" includes an affiliate or subsidiary of KMC or any other Person controlling, controlled by, or commonly controlled with KMC, and "Fiber Miles" means miles of a single optical fiber, coaxial wire, or other transmission medium. The number of Fiber Miles in a multi-fiber cable equals the number of miles of cable times the number of optical fibers in the cable.

4.2.1.1 Adjusted Gross Revenues include Gross Revenues paid directly or indirectly by all End Users to KMC for Services provided by KMC, apportioned by multiplying the Gross Revenues by the ratio of the number of Fiber Miles of the Facilities used to deliver those services to the total Fiber Miles consisting of both the Facilities and fiber outside the County that are used by KMC for the delivery of the same service.

4.2.1.2 Adjusted Gross Revenues also include Gross Revenue paid directly or indirectly to KMC by any End User for a use of the Facilities for which

KMC does not provide Services, such as lease of fiber capacity (by bandwidth or other measure) or dark fiber. For Gross Revenues from these uses, KMC shall apportion the Revenues by multiplying the total nationwide revenues KMC receives from the End User by the ratio of the number of Fiber Miles of the Facilities the End User uses to the total Fiber Miles KMC provides that End User nationwide.

4.2.1.3 Adjusted Gross Revenues also include Gross Revenues that a Remarketer receives directly or indirectly from any End User. These revenues shall be calculated in the same manner specified in 4.2.1.1 and 4.2.1.2, but substituting the Remarketer for "KMC."

4.2.1.4 Adjusted Gross Revenues also include revenues derived from any transfer of any interest in the System or any portion of the System, including a sale, lease, or indefeasible right to use the System, however denominated.

4.2.1.5 Adjusted Gross Revenues do not include Gross Revenues that KMC receives from a Remarketer or a Remarketer receives from any Subscriber, if the Remarketer holds a franchise from the County that obligates the Remarketer to pay a franchise fee based on revenues that the Remarketer derives from the use of KMC's Facilities.

4.3 KMC shall keep accurate books of account, and make such books of account available for inspection in the County for the purpose of determining the amounts due to the County under Section 4.2. The County shall have the right to inspect KMC's books of account at any time during regular business hours on five (5) days' prior written notice and may audit the books from time to time at the County's sole expense, but in each case only to the extent necessary to confirm the accuracy of payments due under Section 4.1 or 4.2. No later than one hundred twenty days from the end of KMC's fiscal year, KMC must file with the County an annual statement of revenues, certified by KMC's chief financial officer, relating to its operations and revenues within the County. The County agrees to keep confidential any non-public information it receives from KMC in accordance with applicable law. The statement of revenues shall include a detailed breakdown of the Gross Revenues and uncollectible accounts for the fiscal year, and shall be prepared in accordance with Generally Accepted Accounting Principles. KMC shall require any Remarketer whose Gross Revenues are to be included in calculating Adjusted Gross Revenues under Section 4.2.1.3 to keep, and allow County access to, the Remarketer's books of account for the same purpose and in the same manner as required of KMC in this paragraph.

4.4 KMC shall reimburse the County within thirty days of the receipt of a request, for all reasonable expenses relating to the preparation, issuance, implementation and administration of this Agreement, not to exceed Two Thousand Dollars (\$2,000) in the aggregate.

5. OTHER SERVICES

5.1 KMC has made, and shall continue to make, available to the County two dark fiber optic strands throughout the backbone of KMC's Telecommunications System for the use by the County for governmental and educational purposes, in the manner described in Sections 5.2 and 5.3 below. If at any time the Telecommunications System includes cable or cables containing a total of more than 72 fiber optic strands for more than 50 percent of the length of the backbone of the Telecommunications System, KMC shall make available to the County two additional dark fiber optic strands in any segment of the backbone where the total fiber optic strands exceeds 72. If KMC's obligation to provide two additional strands is triggered, the obligation for a total of four strands shall continue even if the Telecommunications System later falls below the triggering circumstances.

5.2 To facilitate use of the dark fiber optic strands, KMC shall install at the County's request, for use by and at no cost to the County, interconnection points within 250 feet of the backbone of the Telecommunications System to which the County may connect its lateral fiber to the Telecommunications System. Any interconnection point requested by the County to be placed more than 250 feet from the backbone of the Telecommunications System shall be performed by KMC, and the County shall pay KMC's incremental costs beyond 250 feet of the labor, equipment, materials, and supplies incurred in performing the work.

5.3 The County shall notify KMC of the location(s) along the backbone of the Telecommunications System that the County requests to interconnect its lateral fiber to the Telecommunications System. Within 45 days of any such County request, KMC shall complete the engineering for the proposed interconnection location(s) and provide the County with a service order that shall include an estimated completion date (which must be as soon as commercially feasible) and an estimated installation charge (as applicable under section 5.2) for splicing off the Telecommunications System dark fiber optic strands to be used by the County, and bringing such strands to the requested interconnection point where the County may connect its lateral fiber to the Telecommunications System.

5.4 The County shall assist and cooperate with KMC in obtaining all easements, authorizations, and permits that are needed to install the interconnection points at the locations along the backbone of the Telecommunications System that the County requests to connect its lateral fiber to the Telecommunications System.

5.5 Upon acceptance of the service order by the County, KMC shall perform the requested installation of the interconnection point(s) pursuant to the terms of the service order.

5.6 Any installation of lateral fiber from a County facility to an interconnection point or vice versa, shall be the sole responsibility of the County. Nothing in this Agreement limits the County's authority or discretion to perform such lateral installations itself, or through its contractors.

5.7 KMC shall be solely responsible for the repair, replacement, and maintenance of the two (or four) dark fiber optic strands used by the County within the Telecommunications System, including the fiber from the splice point on the backbone of the Telecommunications System to the interconnection point. KMC shall perform routine and preventive maintenance on the fiber provided for the County's use within the Telecommunications System in the same time and in the same fashion as routine and preventive maintenance are performed for KMC's subscribers, without charge to the County. KMC shall provide the County reasonable notification of service affecting planned activities, if any, that may occur in normal operation of its business, if any, and shall use its best efforts to minimize the duration of such activities and to undertake them in periods of low usage by the County. KMC shall maintain the highest standards for response and restoration of service following emergency or unplanned service affecting conditions that are available to any of its subscribers. For any segment of the dark fiber optic strands that the County notifies KMC will be used for public safety or other critical purposes, the response time under the previous sentence shall not exceed two hours.

5.8 After acceptance by the County of any installation performed by KMC, as provided under sections 5.1 through 5.5, the County shall be solely responsible for (i) repair, replacement, and maintenance of the dark fiber optic strands on the County's side of the interconnection point, and (ii) all equipment and wiring on the County's side of the interconnection point, including without limitation any electronics or other equipment or devices that are required for the transmission of information using the Telecommunications System which KMC understands the County will own exclusively.

5.9 The County shall indemnify, hold harmless and defend KMC, its officers, employees, agents, contractors, subcontractors, and suppliers, against any and all lawsuits, claims, demands, liabilities, losses and expenses, including attorneys' fees and administrative expenses, that may arise or be alleged to have arisen, out of or in connection with the County's, or its employees', agents', contractors', subcontractors', or suppliers' use, operation, repair, replacement, or maintenance of the dark fiber optic strands reserved for the County's use herein on the County's side of the interconnection point, except to the extent caused by the sole or gross negligence or willful misconduct of KMC, its officers, employees, agents, contractors, subcontractors and suppliers.

6. REMOVAL AND RELOCATION OF TELECOMMUNICATIONS SYSTEM.

6.1 KMC understands and acknowledges that the County may require KMC to relocate the Facilities. At the County's request, KMC shall, within thirty (30) days after receipt of prior written notice in situations described in subsection (i) below, and immediately in situations described in subsections (ii) and (iii) below, relocate the Facilities, at KMC's sole cost and expense, whenever the County reasonably determines that relocation is needed: (i) to facilitate or accommodate the construction, completion, repair, relocation, or maintenance of a County project, facility, or service; (ii) because the Facilities are interfering with or adversely affecting proper operation of the County light poles, traffic signals, or other County facilities, or (iii) to protect or preserve the public health, safety, or welfare including, without limitation, any emergency situation. KMC must obtain all permits and approvals required by the County before

relocating the Facilities. If KMC fails to relocate the Facilities as requested by the County in accordance with this paragraph, the County shall be entitled to remove the Facilities at KMC's sole cost and expense.

6.2 In the event that any part of the Facilities subject to this Agreement is abandoned by not being placed in service for a period of six (6) months or more, KMC promptly shall notify the County, and KMC must, at KMC's sole cost and expense, promptly remove the abandoned part of the Facilities or dedicate the same to the County. The County shall not issue notice to KMC that the County requires removal or dedication of any part of the Facilities, unless and until the County first issues all required County permits and approvals required of the County for such activity and gives fifteen (15) days' prior written notice to KMC to remove the telecommunications system. If KMC shall fail to remove any part of the Facilities as required by the County under this paragraph, the County shall be entitled to remove any part of the Facilities at KMC's sole cost and expense. KMC shall execute such documents of title as will convey all right, title, and interest in the abandoned Facilities, but in no other property, intellectual or otherwise, to the County.

6.3 Whenever the construction, reconstruction, installation, location, removal, reattachment, reinstallation, or relocation of the Facilities is performed by KMC under this Agreement, and such construction, reconstruction, installation, location, removal, reattachment, reinstallation, or relocation shall cause the Public Right-of-Way to be damaged, KMC, at its sole cost and expense, promptly shall repair and return the Public Right-of-Way in which the Facilities are located to its previous condition. If KMC does not repair the site as required, then the County shall have the option to perform or cause to be performed such reasonable and necessary work on behalf of KMC and charge KMC for the proposed costs to be incurred at the County's standard rate, if any, or the actual costs incurred by the County. Upon the receipt of a demand for payment by the County, KMC shall reimburse the County for such costs.

7. CONSTRUCTION PERMIT AND SECURITY DEPOSIT.

7.1 In the event that the construction, reconstruction, installation, location, removal, reattachment, reinstallation, or relocation of the Facilities shall require any construction work in the Public Right-of-Way, KMC shall apply for the appropriate street opening and other permits required by Law. KMC shall perform such construction work as required by the permits and in accordance with all applicable Laws.

7.2 Within thirty (30) days of the completion of any construction, reconstruction, installation, location, removal, reattachment, reinstallation, or relocation work, KMC promptly shall furnish to the County, in hard copy and electronic format or other format reasonably acceptable to the County, suitable documentation containing a full set of drawings showing, in detail, the exact location of the Facilities in the Public Right-of-Way.

7.3 KMC shall deposit or file with the County a cash security deposit, a surety bond acceptable to the County Attorney, or letter of credit acceptable to the County Attorney within thirty (30) days of the Effective Date, in the amount of Fifty Thousand Dollars (\$50,000) as

security for the faithful performance by KMC of the provisions of this Agreement and the Laws. If KMC fails to pay the County any taxes, fees, costs or expenses within ten (10) days of receipt of notice to pay from the County, or fails to comply with any provision of this Agreement or the Laws that can be remedied by an expenditure from the security fund, then the County may proceed to immediately withdraw the amount thereof or proceed against the surety bond or the letter of credit. Such action by the County is in addition to any other remedy provided to the County by this Agreement or the Laws. In the event that the Franchise is terminated or revoked for cause by the County, the security fund shall become the property of the County, unless there are no outstanding defaults or moneys owed to the County, in which case, KMC may request that the County return the security deposit, the surety bond, or the letter of credit.

8. INDEMNIFICATION AND WAIVER.

8.1 KMC agrees at its sole cost and expense to indemnify, protect, defend (with counsel acceptable to the County) and hold harmless the County, the county executive, county council members, officers, employees, and agents, from and against any and all claims, demands, losses, damages, liabilities, fines, charges, penalties, administrative and judicial proceedings and orders, judgments, remedial actions of any kind, and all costs and cleanup actions of any kind, all costs and expenses incurred in connection therewith, including, without limitation, reasonable attorney's fees and costs of defense (collectively, the "Losses") arising, directly or indirectly, in whole or in part, out of the activities or facilities of KMC, its officers, employees, agents, consultants, attorneys, and contractors, described in this Agreement, except to the extent arising from or caused by the gross negligence or willful misconduct of the County, the county executive, county council members, officers, employees, agents, or contractors.

8.2 The waiver by either party of any breach or violation of any provision of this Agreement shall not be deemed to be a waiver or a continuing waiver by the of any subsequent breach or violation of the same or any other provision of this Agreement.

8.3 KMC waives any and all claims, demands, causes of action, and rights it may assert against the County on account of any loss, damage, or injury to the Telecommunications System or any loss or degradation of the Services as a result of a sudden or gradual loss or change of electrical power caused by or arising from the installation, maintenance, replacement, or relocation of any County-owned facility in the Public Right-of-Way (except to the extent caused by or arising from the gross negligence or willful misconduct of the County), or an Act of God, an event or occurrence which is beyond the reasonable control of the County, a power outage, or a lightning strike. Nothing herein shall be construed to waive the County's governmental immunity.

9. INSURANCE.

9.1 KMC shall obtain and maintain at all times during the term of this Agreement comprehensive general liability insurance and comprehensive automotive liability insurance protecting KMC in an amount of not less than two million dollars (\$2,000,000) (including umbrella or excess coverage) per occurrence (combined single limit), including bodily injury and

property damage, and not less than two million dollars (\$2,000,000) (including umbrella or excess coverage) aggregate, for each personal injury, products-completed operations, and each accident. Such insurance shall name the County, the county executive, its council members, officers, employees, agents, and contractors as additional insureds for any liability arising out of KMC's performance of work under this Agreement, or suitable additional- insured endorsement acceptable to the County. Coverage shall be provided in accordance with the limits specified and the provisions indicated herein. Claims-made policies are not acceptable. Such insurance shall not be canceled or materially altered to reduce coverage until the County has received at least thirty (30) days advance written notice of such cancellation or change. KMC shall be responsible for notifying the County of such change or cancellation.

9.2 KMC, within thirty (30) days of the Effective Date of this Agreement, shall file the required original certificate(s) of insurance with endorsements with the County, subject to the County's prior approval, which shall clearly state all of the following:

9.2.1 Policy number; name of insurance company; name, address, and telephone number of the agent or authorized representative; name, address, and telephone number of insured; project name and address; policy expiration date; and specific coverage amounts. Each policy of insurance required by this Agreement shall be issued by a responsible insurance company qualified and authorized to do business in the State of Maryland.

9.2.2 That thirty (30) days prior written notice to the County is required for any change or cancellation to the insurance policy.

9.2.3 KMC's insurance is primary to any other valid or collectible insurance that the County may possess, including any self-insured retentions the County may have, and any other insurance the County does possess shall be considered excess insurance only and shall not be required to contribute with this insurance.

The certificate(s) of insurance with endorsements and notices, shall be mailed to:

Chief Administrative Officer
Montgomery County, Maryland
Executive Office Building
101 Monroe Street
Rockville, Maryland 20850

9.3 KMC shall obtain and maintain at all times during the term of this Agreement statutory workers' compensation and employer's liability insurance in an amount not less than five hundred thousand dollars (\$500,000) or such other amounts required by Maryland law, and furnish the County with a certificate showing proof of such coverage.

9.4 Any deductibles or self-insured retentions must be stated on the certificate(s) of insurance, which shall be sent to and approved by the County prior to the execution of this Agreement.

10. NOTICES.

All notices which shall or may be given pursuant to this Agreement shall be in writing and delivered personally or transmitted: (i) through the United States mail, by registered or certified mail, postage prepaid; (ii) by means of prepaid overnight delivery service; or (iii) by facsimile transmission, if followed by a hard copy of the same delivered through the U.S. mail or by overnight delivery service as just described, as follows:

County: Chief Administrative Officer
Executive Office Building
101 Monroe Street
Rockville, Maryland 20850

With a copy to: Department of Technology Services
100 Maryland Avenue, 2nd Floor
Rockville, Maryland 20850
ATTN: Cable Administrator

KMC: KMC Telecom III, LLC
1545 Route 206, Suite 300
Bedminster, New Jersey 07921
ATTN: Contract Manager

With a copy to: KMC Telecom III, LLC
1755 North Brown Road
Lawrenceville, Georgia 30043
ATTN: Tricia Breckenridge, Executive Vice President

Notices shall be deemed given upon receipt in the case of personal delivery, three (3) days after deposit in the mail, or the next day in the case of overnight delivery. Either party may from time to time designate any other address for this purpose by written notice to the other party in the manner set forth above.

11. TERMINATION AND DEFAULT.

11.1 This Agreement may be terminated by either party upon thirty (30) days' prior written notice to the other party upon a default of any material covenant or term hereof by the other party, which default is not cured within thirty (30) days of receipt of written notice of default (or, if such default is not curable within thirty (30) days, if the defaulting party fails to commence such cure within thirty (30) days or thereafter fails to thereafter diligently prosecute

such cure to completion), provided that the grace period for any monetary default is ten (10) business days from receipt of notice.

11.2 The County reserves the right to revoke the Franchise, subject to reasonable notice and the opportunity to cure as set forth in Section 11.1 for a material breach of the Franchise, including, but not limited to the following: (i) non-payment of franchise fees, (ii) failure to comply with the provisions of the Laws and this Agreement, (iii) use of the Public Rights-of-Way in violation of this Agreement, and (iv) misreporting the required compensation amount.

11.3 Each party retains all of its rights to enforce this Agreement. The County reserves the right to seek injunctive relief, mandamus, or any other appropriate relief as may be necessary to enforce or correct a violation of the provisions of the Law or this Agreement.

12. MISCELLANEOUS PROVISIONS.

12.1 KMC shall not transfer or assign the franchise, Facilities, or System or any part thereof without the express prior written consent of the County, which consent shall not be unreasonably withheld, conditioned, or delayed. KMC shall give the County prior written notice of any proposed assignment or transfer for which the County's consent is required hereunder. The County Council shall give KMC written approval or disapproval of any such proposed assignment or transfer within a reasonable time period not to exceed ninety (90) days after the Council receives KMC's request therefor, and the County Council's failure to approve or disapprove any such request within such ninety (90) day period shall be deemed an approval. KMC shall provide all information and documents reasonably requested by the County relating to the assignment or transfer.

12.2 KMC understands that this Agreement does not provide KMC with exclusive use of the Public Right-of-Way and that the County shall have the right to permit other providers of telecommunications systems to install equipment or devices in the Public Right-of-Way.

12.3 This Agreement contains the entire understanding between the parties with respect to the subject matter herein and supersedes all prior understandings and agreements, whether written or oral. There are no representations, agreements or understandings (whether oral or written) between or among the parties relating to the subject matter of this Agreement which are not fully expressed herein.

12.4 This Agreement may not be amended except pursuant to a written instrument signed by both parties.

12.5 If any one or more of the provisions of this Agreement shall be held by a court of competent jurisdiction in a final judicial action to be void, voidable, or unenforceable, such provision(s) shall be deemed severable from the remaining provisions of this Agreement and shall in no way affect the validity of the remaining portions of this Agreement.

12.6 KMC shall be available to the staff employees of any County department having jurisdiction over KMC activities 24 hours a day, 7 days a week, regarding problems or complaints resulting from the construction, reconstruction, installation, location, removal, reattachment, reinstallation, or relocation of the Facilities. The County may contact KMC by telephone at the KMC Network Control Center, telephone (800) 850-9048 regarding such problems or complaints.

12.7 This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland, without reference to its conflicts of law principles. In the event that suit is brought by a party to this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of Maryland, or in the United States District Court of Maryland, Southern Division.

12.8 All exhibits referred to in this Agreement and any addenda, attachments, and schedules which may, from time to time, be referred to in any duly executed amendment to this Agreement are by such reference incorporated in this Agreement and shall be deemed a part of this Agreement.

12.9 This Agreement is binding upon the successors and assigns of the parties hereto.

12.10 KMC acknowledges that the County may develop rules, regulations, and specifications that apply to the construction, reconstruction, installation, location, removal, reattachment, reinstallation, or relocation of the Facilities in the Public Right-of-Way, and such rules, regulations, and specifications, when finalized, shall govern KMC's activities hereunder as if they were in effect at the time this Agreement was executed.

12.11 KMC agrees to comply with the non-discrimination in employment policies in County contracts as required by Section 11B-33 and Section 27-19 of the Montgomery County Code 1994, as amended, as well as all other applicable state and federal laws and regulations regarding employment discrimination. KMC assures the County that, in accordance with applicable law, it does not, and agrees that it will not, discriminate in any manner on the basis of age, color, creed, national origin, race, religious belief, sexual preference, or handicap.

12.12 KMC represents that it has not retained anyone to solicit or secure this Agreement from Montgomery County, Maryland, upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except for bona fide employees or a bona fide established commercial selling or leasing agency maintained by KMC for the purpose of securing business or an attorney rendering a professional legal service consistent with applicable canons of ethics.

12.13 KMC understands that, unless authorized under Section 11B-52 and Chapter 19A of the Montgomery County Code 1994, as amended, it is unlawful for any person transacting business with the County to employ a public employee for employment contemporaneous with his or her public employment.

12.15 In any case where the approval or consent of one party hereto is required, requested or otherwise to be given under this Agreement, such party shall not unreasonably condition, delay or withhold its approval or consent.

WITNESS:

MONTGOMERY COUNTY, MARYLAND

By: Thomas Perez, President
Montgomery County Council

The Provisions of this Agreement are agreed to and hereby accepted.

WITNESS:

KMC TELECOM III, LLC

Rural Internet

By:

Title:

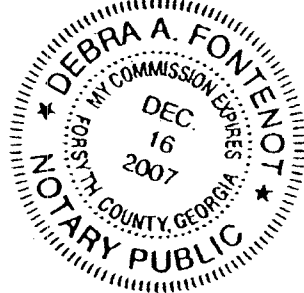
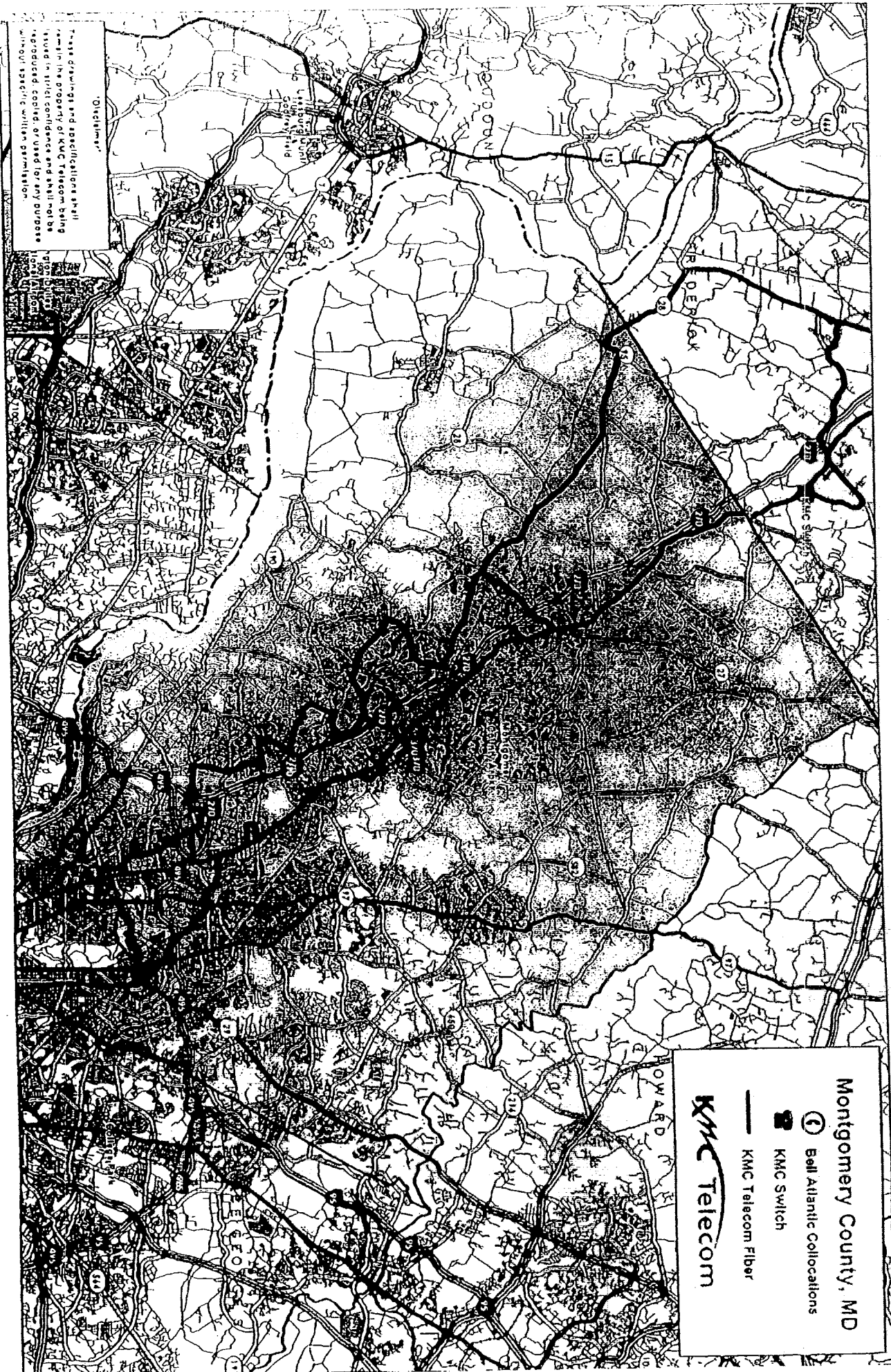


EXHIBIT A

Telecommunications System Location

The Facilities consist of one 3¼ inch telecommunications conduit and one fiber optic cable containing 72 strands of fiber, as shown on the map entitled "Montgomery County, MD", attached hereto, including converters, splice boxes, cabinets, handholes, manholes, vaults, equipment, drains, surface location markers, appurtenances, and other facilities related to the conduit; and such lateral connections from the conduit to End User premises along the route within the County as shall be required to be installed (pursuant to the permits obtained from Montgomery County as required) in order for KMC to deliver Services to End Users.



Montgomery County, MD

- ① Bell Atlantic Collocations
- KMC Switch
- KMC Telecom Fiber
- KMC Telecom

Disclaimer:

This drawing and specifications shall remain the property of KMC Telecom being issued in strict confidence and shall not be reproduced, copied, or used for any purpose without specific written permission.